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## REPORT

DATE DISTR.

**10 SEP 1958**

NO. PAGES 1

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"Internal Economic Data and General Information"

Poland's so-called New Economic Model, factors affecting foreign trade, and labor conditions.

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Internal Economic Data and General Information.

1. The foundation of the so-called New Economic Model is the increased autonomy of the socialist enterprise. It acts as trustee of the national property entrusted to it, and it operates on the basis of incentives, which induce it to act in the public interest as laid down in the national economic plan. The operation of incentives is warranted by the participation of the workers in the management of the enterprise in the form of Workers Councils, which have an influence upon the appointment and the recall of directors. Furthermore, the incentives are guaranteed by the participation of workers in the profit of enterprises, as a part of profit is put at the disposal of the workers councils. Out of this part, an appropriate system of incentive payments and primings is devised. The enterprise acts in conformity with the national economic plan, and this conformity is assured by investment grants of the Government, credit conditions set by the National Bank, by determination of prices by the state, and by setting up of certain production targets, according to the national plan. Fundamental investments (construction of new plants or substantial enlargement of the old) are determined centrally by the national plan and financed by central authorities. On the other hand enterprises have desired to undertake on their own auxiliary investments which are financed out of a part of their amortization funds put at their disposal and out of bank credits. Those auxiliary investments amount in

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in 1958 to some 18% of the total industrial investment calculated on a national basis. The enterprises have also a limited right of choosing the assortment of their output, and, within the limits of an over-all wage fund established for the given enterprise in the national plan, of determining their level of employment and their wage structure in conformity with the collective agreements on wage rates and working conditions concluded by the enterprise with the appropriate Trade Union. Administrated allocation of materials and products is being gradually replaced by contracts between enterprises and trade organizations, as well as by direct purchases and sales on the market. The enterprises have, finally, the right to choose their own sources of supply and their own channels of disposal of their products.


All small production enterprises of local significance and all retail trade have been transferred for management to local governments. The local government has, further, an influence on the investments and development of national enterprises located in its area. Local governments will also participate in the profits of the national enterprises in their area and will receive all profits of the small enterprises under their direct management.

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There is an increased role of the cooperative movement, which plays an important role in small-scale production and in retail trade. Various forms of peasant cooperatives formed to carry out particular economic activities (amelioration of land, common use of pastures etc.) are developing rapidly. Finally, there is a marked increase of the economic role of the Parliament (Sejm), which discusses in detail not only the five years national plans, but each annual plan together with the annual budget. There are 12 Sejm committees sitting in almost permanent sessions, and the participation of the cabinet ministers or of their deputies in each meeting is obligatory.

2. One must confine oneself to a most general economic and sociological speculation. In fact, as the basic aim of the recently introduced new Polish economic policy is the increase of the standard of living of the population (i.e. by allowing a socialist enterprise to apply incentives in production) it seems very probable that the increase of the per capita work output will go faster than in the last two years. The relationship between improvement in living standards and the level per capita output has been proved by a recent development beyond any possible doubt.
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3. There is a plan to continue the expansion of steel and machinery after 1960 also at a reduced rate. The share of metal and engineering industries in gross investment during the period 1951-55 was 18,2 billions zlotys (at 1956 prices) out of a total gross industrial investments of 105,5. In the present five years plan 1956-1960 the share is 16,8 billions zlotys (same price level) out of a total gross industrial investments of 137,0 billions zlotys. During the period 1961-1975 approximate gross industrial investments will amount to some 791,0 billions zlotys (at 1956 prices) out of which metal and engineering industries will absorb some 66,0 billions zlotys. The two industries are considered as fundamental for the Polish economic growth, as basic raw material resources of the country are relatively very limited in proportion to the rise of the population. The influence of the development of those two industries on foreign trade with the capitalist world is, for the time being, difficult to assess. In all probability there will be still a very great need for importing machinery from the highly developed capitalist countries, while machinery exports of more simple types will be increasing to the destination of other socialist countries and of under-developed countries, in conformity with their process of industrialization.

**SECRET**

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- 4.a/ The question of Polish terms of trade as from 1949-50 is a complex one, and several studies have been devoted to it. A full answer to this question is, however, possible, but it must take some time.
- b/ The situation regarding costs analysis more or less lately improved, but its exact appreciation will be possible only after the general price and wage reform (see para 1. above). The emphasis placed on the importance of such kind of analysis in foreign trade is very great, as it can be easily proved by dozens of more or less important blueprints and articles appearing in the Polish economic periodicals in the course of the last two years under the common denomination of the "problem of export and import rentability."
- c/ An information concerning the terms of loans obtained from the capitalist countries since the beginning of 1957 will be answered at a later stage;
5. Poland's gold and foreign exchange reserves constitute for the time being one of the very few unpublished general economic figures of interest. It is, however, possible that the publication of some data in this respect will follow in the not very remote future;
6. The general trend as for the reorganization of the Ministry of Foreign Trade as well as of administrative changes in the foreign trade apparatus is definitely one of a pronounced decentralization. Unlike the


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situation existing in this respect a few years ago, when the Ministry of Foreign Trade centralized practically all the transactions with foreign countries, the new system gives the foreign trade enterprises (centrale) an autonomous status, allowing them to conduct foreign trade operations directly with foreign commercial firms within the framework of the existing autonomous and/or contractual (bi-lateral) trade regulations. The existing system cannot be, however, regarded as a definite one, as it remains subject to constant improvements directed to simplify the procedures and to facilitate direct contacts between Polish and foreign buyers and sellers. Under the existing monopoly of foreign trade, however, Polish producers are not entitled to contact any foreign enterprises with the aim of negotiating or concluding any commercial deals, the only institutions to deal practically in foreign trade being the above mentioned "centrale".

7. The Polish balance of payments situation deteriorated in 1957 as compared with 1956, mainly in view of two factors:

a/ The fall in prices of coal (amounting in 1957 to some 40%); as the share of coal in Polish exports amounts to some 38-39% such a substantial price fall resulted in a general decrease of the value of exports;





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b/ The necessity of an increased raw material and agricultural import resulting from a very low level of raw material stocks in the country, and from the necessity of additional amounts of consumers' goods necessary to meet the larger purchasing power of the population resulting, in turn, in substantial nominal wage increases in the course of the first half of 1957. The discrepancy between falling exports and increased imports had to be covered by credits (namely banking and commercial) which proved, as usual, rather expensive.

In 1958 the balance of payments situation has largely improved, although it constitutes still one of the most difficult spots of the national economy. However, a large part (up to 50%) of the commercial indebtedness has already been repaid and some efforts made to obtain long term credits proved successful. It is to be hoped that further improvement in this very important field of Polish economy will be possible during the second part of 1958. Figures relating to the current year balance of payments situation will probably be available in autumn.

The present balance of payments policy is this of sharp import regulations coupled with an export drive, mainly in the field of coal and processed agricultural goods, resulting from the improvement of the over-all agricultural situation in the country.

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8. There has been in the past several conflicting statistical data relating to Polish import and export figures. At present, statistics show, as usual, imports cif and exports fob. Fob means always fob the Polish border. Any more explicit data in the valuation of imports and exports can be obtained by means of specific enquiries addressed to this office.
9. There is, until now, no general statistical publication showing both the volume, unit and value of each commodity. Upon specific enquiry, however, such data can be furnished by this office.
10. Poland does participate in multilateral clearing under the auspices of the C.E.M.A. but the extent was until now insignificant in view, probably, of the generally active balances obtained by Poland in trade with other C.E.M.A. countries.
11. All the materials imported to Poland are used exclusively for internal economic development or consumption. A part of them is destined to reconstitute depleted stocks, which means that their consumption in current production is not immediate. As far as shipments of "strategic commodities" from the West are concerned, the impact on the Polish economy does not seem to be very substantial.
12. There has been, definitely, not a single resale of any U.S. surplus agricultural product obtained by Poland under the recent Polish American agreements.

SECRET

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13. The labor force estimates used in Poland long range plan are considered primarily as a basis for estimating the necessary size of production apt to assure the full employment of this constantly increasing labor force. While at the end of 1956 the number of male population in 16 - 59 years age bracket was 7.787 thousands, the estimates for the end of 1960 are 7.984 thousands, for the end of 1960 are 7.984 thousands, for the end of 1965 - 8.547, for the end of 1970 - 9.353 thousands and for the end of 1975 - 10.327 thousands.

The bases of this calculation rest on the assumption that the rate of births as compared to the number of women at the age of fertility will remain unchanged and the rate of mortality will be the same as the present one with the exception of children mortality (up to 5 years of age), which will follow the present rapid decrease, in particular as far as infant mortality is concerned. This last should decrease at the present rate from 82 per thousand in 1955 to 43 per thousand in 1975. There is, however, a possibility of a certain modification in these basic assumptions, primarily because of some probable decrease in the rate of births as compared to the number of women in the age of fertility, and because of a certain further decrease of the total mortality due to the constant improvement of living standards.

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14. The sectors of the Polish economy operating on a 24 hour basis are those the output of which is destined for domestic consumption and where the inadequate and partly obsolete equipment (as in the large part of textile industry) is insufficient to meet the constantly growing demand. Efforts are being made in order to modernize those industries and to put them in normal working conditions.
15. There are of course several prognoses as to changes in statistical distribution of workers and employees by branch of economy and branch of industry in the near future. Basically, a substantial rise of employment is expected in services which until now occupy a very small share of the total employment (in 1955 - about 16%). The share of employment in light and building industries will probably rise faster than in other branches. The share of administrative workers will somewhat fall (any more detailed data can be furnished upon special requirement).
16. The programs in question exist, but they are not at the disposal of this office. They will be supplied shortly.
17. Unemployment has in Poland two different aspects one of which does not exist in highly developed countries. There is, first, "normal" unemployment in towns, calculated upon the statistics of Labor Exchange Agencies. In 1957

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those Agencies secured employment for 947 311 men and 488 157 women, while at the end of the year 10 375 men and 21 562 women remained without permanent occupation. On the other hand 44 517 vacancies for men and 11 299 for women remained unfilled. This divergence is due to the difficulty of transferring labor force from one place to another in view of the housing difficulties.

On the other hand there are still "pockets" of structural agricultural underemployment in the country, although this major problem of the Polish economy has been, on the whole, successfully solved by increased industrialization. Employment in socialist economy outside agriculture rose from 3 653,0 thousands in 1949 to about 6 242,0 thousands in 1947. There are agricultural areas with a certain deficiency of labor force while in others the rests of the agricultural underemployment still exist. In such conditions it is too early to establish any "unemployment norm" in the Polish economy.